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# ANNUAL REPORT

1978

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BOMAC BATTEN LIMITED

*ANNUAL MEETING*

*The Annual Meeting of Shareholders will be held at 10:30 a.m., Thursday, April 12, 1979, in the Tudor Room No. 8 of the Royal York Hotel, Toronto, Ontario.*

# BOMAC BATTEN LIMITED DIRECTORS AND OFFICERS

## **DIRECTORS**

Reginald A. Batten  
George C. Gardiner  
Douglas R. Keedwell, C.A.  
Charles E. McNellen  
Charles H. McNellen  
J. Harold Mitchell  
Douglas R. Steadman  
Robert M. Sutherland, Q.C.

## **OFFICERS**

Charles H. McNellen  
*Chairman of the Board*  
Charles E. McNellen  
*Vice-Chairman of the Board*  
George C. Gardiner  
*President*  
Douglas R. Keedwell, C.A.  
*Vice-President and Secretary*  
William J. Brown  
*Treasurer*

## **TRANSFER AGENT AND REGISTRAR**

Montreal Trust Company, Toronto

## **AUDITORS**

Deloitte, Haskins & Sells

## **BANKERS**

The Royal Bank of Canada

## **SOLICITORS**

Fasken & Calvin

## **HEAD OFFICE**

240 Richmond Street West, Toronto, Ontario M5V 1W1



# REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to present the Company's Consolidated Financial Statements as of December 31, 1978 along with the Auditors' Report to the Shareholders.

Consolidated sales for the year amounted to \$12,958,472 from \$12,647,820, an increase of 2.4% over the previous year. While sales of the film operations declined marginally, sales of the printing plate operations continued to improve despite the disposal of a non-profitable operation in March of 1978.

Consolidated earnings from operations before income taxes and extraordinary items for the year in review amounted to \$759,532 as compared to \$301,433 the previous year and consolidated earnings after taxes and extraordinary items \$622,053 compared to \$369,360 in 1977.

Earnings per class A share were \$2.34 as compared to \$1.50 in 1977 and per common share \$1.74 compared to 90¢ for the previous year.

The six cumulative dividends on the class A shares in arrears at the end of 1977 were reduced to four during 1978 upon approval of the Board of Directors for payment of two additional class A share quarterly dividends as well as the regular dividends on the preferred and class A shares. This action was taken due to the improved earnings and working capital position of the Company.

The Board of Directors, at a meeting today, approved three quarterly dividends on the class A shares payable April 1, 1979; therefore, there are now two quarterly dividends in arrears.

Capital expenditures amounted to \$459,332 with the largest item being an additional electronic colour scanner for the production of colour film separations by our offset film and plate department. This colour scanner costing approximately \$300,000 will increase our capacity and improve efficiency by reducing man hours in filling our customers' growing requirements for offset colour separations. The balance consisted of replacements in our continuing program to provide our plant with the most modern production equipment available.

Earnings for 1978 from the printing plate operations reflect the results of the cost control program including the elimination of non-profitable plants and departments over the past three

years and as a result, these operations are the major contributors to the Company's earnings.

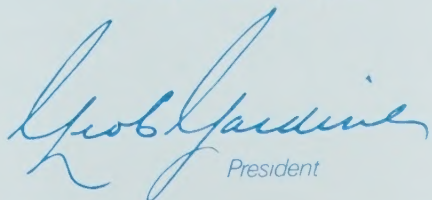
Despite a very disappointing first six months of 1978 the film operations recovered significantly in the last half of the year as a result of reorganization of these operations. The motion picture production operations, particularly, reversed the adverse trend in June, recovered their losses of the first six months and finished the year with a modest profit despite a very competitive market.

There is a great deal of uncertainty in our economy apparent in both the business sector and the public at large due to the unemployment problem, high interest rates and the threat of further increases in the rate of inflation aggravated by the devaluation of our dollar. As a result of this uncertainty the market for our products is highly competitive and subject to extreme fluctuations in the amount of available business. However, we are optimistic for the future earnings of the Company given a more stable business climate and a return of confidence in the Canadian economy.

As we have recorded in previous reports to the shareholders, we have not been subject to legal restraint under the anti-inflation legislation with respect to prices and wages. Our Company continued its policy throughout 1978 of complying with the guidelines of this program as to selling prices and wages and an industry-wide collective agreement with the cooperation of the union was negotiated within the prescribed limits of this legislation.

On behalf of the Board of Directors, we are pleased to record our appreciation of the loyalty and efficiency of our employees who have contributed greatly to the improved operations of our Company and enabled us to provide our customers with the same high standard of service and quality with which our name has been synonymous for many years.

On behalf of the Board,



*Jacob Gardiner*  
President

March 9, 1979

## FIVE YEAR FINANCIAL SUMMARY

|  | 1978                | 1977         | 1976         | 1975         | 1974         |
|--|---------------------|--------------|--------------|--------------|--------------|
| <b>CURRENT POSITION</b>                        |                     |              |              |              |              |
| Current assets . . . . .                       | \$ <b>3,890,605</b> | \$ 3,004,765 | \$ 3,498,297 | \$ 3,496,839 | \$ 3,976,713 |
| Current liabilities . . . . .                  | \$ <b>1,863,069</b> | \$ 1,372,393 | \$ 2,327,376 | \$ 2,024,778 | \$ 2,222,784 |
| Working capital . . . . .                      | \$ <b>2,027,536</b> | \$ 1,632,372 | \$ 1,170,921 | \$ 1,472,061 | \$ 1,753,929 |
| Current ratio . . . . .                        | <b>2.1</b>          | 2.1          | 1.5          | 1.7          | 1.8          |
| <b>PLANTS AND PROPERTIES</b>                   |                     |              |              |              |              |
| Investment in plants and properties . . . . .  | \$ <b>8,070,669</b> | \$ 7,876,993 | \$ 7,664,123 | \$ 8,625,879 | \$ 8,883,735 |
| Accumulated depreciation . . . . .             | \$ <b>5,172,086</b> | \$ 5,134,381 | \$ 4,895,932 | \$ 5,853,535 | \$ 5,893,240 |
| Provision for depreciation . . . . .           | \$ <b>283,379</b>   | \$ 298,800   | \$ 270,604   | \$ 269,186   | \$ 313,875   |
| Expenditures . . . . .                         | \$ <b>459,332</b>   | \$ 280,827   | \$ 354,059   | \$ 392,600   | \$ 212,334   |
| <b>SHAREHOLDERS' EQUITY</b>                    |                     |              |              |              |              |
| Preferred stock . . . . .                      | \$ <b>246,800</b>   | \$ 279,800   | \$ 301,000   | \$ 301,000   | \$ 303,500   |
| Class A and common stock . . . . .             | \$ <b>565,313</b>   | \$ 565,313   | \$ 565,313   | \$ 565,313   | \$ 565,313   |
| Retained earnings . . . . .                    | \$ <b>4,061,794</b> | \$ 3,552,916 | \$ 3,313,837 | \$ 3,301,987 | \$ 3,461,809 |
| Class A and common equity . . . . .            | \$ <b>4,627,107</b> | \$ 4,118,229 | \$ 3,879,150 | \$ 3,867,300 | \$ 4,027,122 |
| Per share (*before dividend arrears) . . . . . | \$ <b>15.17*</b>    | \$ 13.50*    | \$ 12.72*    | \$ 12.68*    | \$ 13.20     |
| <b>SALES . . . . .</b>                         | <b>\$12,958,472</b> | \$12,647,820 | \$12,882,593 | \$12,691,906 | \$12,966,399 |
| <b>EARNINGS</b>                                |                     |              |              |              |              |
| Earnings (loss) from operations . . . . .      | \$ <b>449,132</b>   | \$ 155,242   | \$ (56,148)  | \$ (242,159) | \$ (56,635)  |
| Per class A share . . . . .                    | \$ <b>1.77</b>      | \$ .80       | \$ .11       | \$ (.50)     | \$ (.07)     |
| Per common share . . . . .                     | \$ <b>1.17</b>      | \$ .20       | \$ (.49)     | \$ (1.10)    | \$ (.37)     |
| Earnings (loss) for the year . . . . .         | \$ <b>622,053</b>   | \$ 369,360   | \$ (18,052)  | \$ (137,318) | \$ 51,870    |
| Per preferred share—available . . . . .        | \$ <b>252.04</b>    | \$ 132.01    | \$ (5.99)    | \$ (45.62)   | \$ 17.09     |
| —distributed . . . . .                         | \$ <b>6.00</b>      | \$ 16.50     | \$ —         | \$ 1.50      | \$ 6.00      |
| Per class A share . . . . .                    | \$ <b>2.34</b>      | \$ 1.50      | \$ .23       | \$ (.16)     | \$ .29       |
| Per common share . . . . .                     | \$ <b>1.74</b>      | \$ .90       | \$ (.37)     | \$ (.76)     | \$ (.01)     |

## Consolidated Balance Sheet

(with prior year's)

| ASSETS   | 1978               | 1977        |
|--|--------------------|-------------|
| <b>CURRENT</b>   |                    |             |
| Cash and term deposits . . . . .   | \$ 410,371         | \$ 160,126  |
| Accounts receivable . . . . .  | 2,956,688          | 2,181,804   |
| Marketable securities—at cost which approximates<br>market value . . . . . | 9,750              | 9,750       |
| Mortgage and note receivable—current portion . . . . .                     | 31,694             | 28,327      |
| Income taxes recoverable . . . . .   | —                  | 47,213      |
| Inventories . . . . .  | 444,291            | 528,043     |
| Prepaid expenses . . . . .   | 37,811             | 49,499      |
|  | <b>3,890,605</b>   | 3,004,765   |
| <b>INVESTMENTS</b>   |                    |             |
| Mortgages due through 1984 . . . . .                                       | 143,915            | 137,609     |
| Notes receivable due through 1981 . . . . .                                | 50,000             | 75,000      |
| Cash surrender value of life insurance less loans . . . . .                | 51,772             | 35,985      |
| Other investments . . . . .  | 35,901             | 44,671      |
|  | <b>281,588</b>     | 293,266     |
| <b>FIXED</b>   |                    |             |
| Plants and properties . . . . .  | 8,070,669          | 7,876,993   |
| Less accumulated depreciation . . . . .                                    | 5,172,086          | 5,134,381   |
|  | <b>2,898,583</b>   | 2,742,612   |
|  | <b>\$7,070,776</b> | \$6,040,643 |

Approved by the Board:  
 Geo. C. Gardiner, *Director*  
 R. M. Sutherland, *Director*



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as at December 31, 1978

(in thousands of dollars for comparison)

| LIABILITIES AND SHAREHOLDERS' EQUITY              | 1978             | 1977        |
|---|------------------|-------------|
| CURRENT   |                  |             |
| Accounts payable and accrued . . . . .            | \$1,725,227      | \$1,305,246 |
| Long-term debt—current portion (Note 2) . . . . . | 25,000           | 25,000      |
| Dividends payable . . . . .                       | 41,652           | 42,147      |
| Income taxes . . . . .                            | 71,190           | —           |
|   | <b>1,863,069</b> | 1,372,393   |
| DEFERRED INCOME TAXES . . . . .                   | <b>133,800</b>   | 45,221      |
| LONG-TERM DEBT (Note 2) . . . . .                 | <b>200,000</b>   | 225,000     |

## SHAREHOLDERS' EQUITY (Notes 3 and 4)

### Share capital

#### Authorized

10,000 6% cumulative redeemable preferred  
shares with a par value of \$100 each  
and callable at \$104

200,000 60¢ cumulative participating  
class A shares and 200,000 common shares,  
both without nominal or par value

#### Issued, outstanding and fully paid

2,468 preferred shares (1977—2,798 shares) . . . . . **246,800** 279,800

126,500 class A shares } **565,313** 565,313

178,500 common shares } **812,113** 845,113

Retained earnings . . . . . **4,061,794** 3,552,916

**4,873,907** 4,398,029

**\$7,070,776** \$6,040,643

See notes to consolidated financial statements

# BOMAC BATTEN LIMITED

## Consolidated Statement of Retained Earnings for the year ended December 31, 1978 (with prior year's figures for comparison)

|  | 1978             | 1977         |
|--|------------------|--------------|
| Balance, beginning of year . . . . .               | \$ 3,552,916     | \$ 3,313,837 |
| Earnings for the year . . . . .                    | 622,053          | 369,360      |
| Discount on purchase of preferred shares . . . . . | 16,120           | 12,268       |
|  | <b>4,191,089</b> | 3,695,465    |
| Dividends  |                  |              |
| Preferred shares . . . . .                         | 15,445           | 47,674       |
| Class A shares . . . . .                           | 113,850          | 94,875       |
|  | <b>129,295</b>   | 142,549      |
| Balance, end of year . . . . .                     | \$ 4,061,794     | \$ 3,552,916 |

## Consolidated Statement of Earnings for the year ended December 31, 1978 (with prior year's figures for comparison)

|  | 1978           | 1977         |
|--|----------------|--------------|
| Sales . . . . .  | \$12,958,472   | \$12,647,820 |
| Earnings from operations before taking into account the<br>following items . . . . . | \$ 1,041,949   | \$ 642,223   |
| Deduct   |                |              |
| Depreciation . . . . .   | 283,379        | 298,800      |
| Interest including long-term debt interest \$18,742<br>(1977—\$66,705) . . . . .     | 36,509         | 113,418      |
|  | <b>319,888</b> | 412,218      |
|  | <b>722,061</b> | 230,004      |
| Add  |                |              |
| Investment and other income . . . . .  | 37,471         | 71,429       |
| Earnings from operations before income taxes . . . . .                               | <b>759,532</b> | 301,433      |
| Income taxes . . . . .   | <b>310,400</b> | 146,191      |
| Earnings from operations . . . . .   | <b>449,132</b> | 155,242      |
| Income tax reductions resulting from prior years' losses . . . .                     | <b>172,921</b> | 143,840      |
| Life insurance proceeds . . . . .  | —              | 70,277       |
| Earnings for the year (Note 5) . . . . .   | \$ 622,053     | \$ 369,360   |

See notes to consolidated financial statements



# Consolidated Statement of Changes In Financial Position for the year ended December 31, 1978

(with prior year's figures for comparison)

|  | 1978               | 1977        |
|--|--------------------|-------------|
| <b>SOURCE OF WORKING CAPITAL</b>                                 |                    |             |
| Earnings from operations . . . . .                               | \$ 449,132         | \$ 155,242  |
| Depreciation . . . . .   | 283,379            | 298,800     |
| Deferred income taxes . . . . .                                  | 88,579             | 15,500      |
| From operations . . . . .  | 821,090            | 469,542     |
| Decrease in investments . . . . .                                | 11,678             | 567,492     |
| Income tax reductions resulting from prior years' losses . . . . | 172,921            | 143,840     |
| Life insurance proceeds . . . . .                                | —                  | 70,277      |
|  | <b>1,005,689</b>   | 1,251,153   |
| <b>APPLICATION OF WORKING CAPITAL</b>                            |                    |             |
| Increase in plants and properties—net . . . . .                  | 439,350            | 273,220     |
| Decrease in long-term debt . . . . .                             | 25,000             | 365,000     |
| Dividends . . . . .  | 129,295            | 142,549     |
| Purchase of preferred shares . . . . .                           | 16,880             | 8,932       |
|  | <b>610,525</b>     | 789,702     |
| Increase in working capital for the year . . . . .               | 395,164            | 461,450     |
| Working capital beginning of year . . . . .                      | 1,632,372          | 1,170,921   |
| Working capital end of year . . . . .                            | <b>\$2,027,536</b> | \$1,632,372 |

See notes to consolidated financial statements

## AUDITORS' REPORT

To the Shareholders of

BOMAC BATTEN LIMITED:

We have examined the consolidated balance sheet of Bomac Batten Limited as at December 31, 1978 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the company as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario  
March 8, 1979

DELOITTE, HASKINS & SELLS  
Chartered Accountants

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1978

## 1. SIGNIFICANT ACCOUNTING POLICIES

### Principles of consolidation

The financial statements consolidate the accounts of the Company and its subsidiaries Filmpro Limited, Rabko Television Productions Co. Limited, Medallion Film Laboratories Limited, Arco Advertisers Revisions Limited, Fairbairn Studio Limited and Bomac Graphics Limited, all of which are wholly-owned. Bomac Montreal Limited was wound up effective December 31, 1978.

### Inventories

Inventories consist of materials, supplies and work in process and are valued at the lower of cost and net realizable value.

### Investments

Investments are carried at cost with the exception of shares in an associated company, which are accounted for on an equity basis.

### Plants and properties

Plants and properties are stated at cost. Depreciation and amortization of these assets are based on their estimated useful lives using straight-line and declining-balance methods.

### Income taxes

The Company accounts for income taxes using the tax allocation basis. The major timing difference which creates deferred income taxes is the result of differences between depreciation recorded and capital cost allowances claimed for income tax purposes.

### Earnings per share

The Company calculates earnings per class A and common share, after giving effect to the cumulative preferred dividend entitlement, on the following basis:

- (a) An amount equal to the class A dividend entitlement for the period is allocated to the class A shares.
- (b) An amount equal to the dividend paid on the common shares, to a limit of the class A dividend entitlement for the period, is allocated to the common shares.
- (c) The remaining earnings (or the resultant deficiency in the event that the foregoing entitlements exceed the earnings for the period) are allocated on a share for share basis between the class A and common shares.

## 2. LONG-TERM DEBT

6½% mortgage payable in quarterly instalments

of \$6,250 with balance due in 1981

8¼% mortgage due in 1983

|  | 1978       | 1977       |
|--|------------|------------|
|  | \$ 75,000  | \$ 100,000 |
|  | 150,000    | 150,000    |
|  | 225,000    | 250,000    |
|  | 25,000     | 25,000     |
|  | \$ 200,000 | \$ 225,000 |

Less current portion

## 3. PURCHASE OF PREFERRED SHARES

The Company has purchased 1,532 preferred shares for cancellation in accordance with the terms of issue including 330 shares purchased during the year. As the result of such purchases retained earnings in the amount of \$153,200 equivalent to the par value of the shares cancelled are not available for distribution.

## 4. DIVIDENDS

Four quarterly dividends totalling \$75,900 are in arrears on the class A shares.

## 5. EARNINGS PER SHARE

|                            | Earnings<br>From Operations |        | Earnings<br>For the Year |         |
|----------------------------|-----------------------------|--------|--------------------------|---------|
|                            | 1978                        | 1977   | 1978                     | 1977    |
| Earnings per class A share | \$ 1.77                     | \$ .80 | \$ 2.34                  | \$ 1.50 |
| Earnings per common share  | \$ 1.17                     | \$ .20 | \$ 1.74                  | \$ .90  |

## 6. SUBSEQUENT EVENTS

A subsidiary has accepted an offer for the sale of real estate located in Montreal no longer required for operations at a price in excess of net book value. The offer is for closing in March 1979 and is conditional upon the purchaser being able to obtain financing at reasonable terms.

## 7. INFORMATION RE DIRECTORS AND OFFICERS

- (a) During the year the Company had eight directors whose aggregate remuneration as directors amounted to \$800 (1977—\$900).
- (b) During the year the Company had five officers and a past officer whose aggregate remuneration amounted to \$237,032 (1977—\$231,259) of which \$175,860 was paid by the Company and \$61,172 by subsidiaries.
- (c) During the year four officers and a past officer were also directors.





BOMAC  
BATTEN  
LIMITED